

10/25

M:

We sent a copy of incoming memo  
from Olmer to Casey to:

☐ OGI ✓  
☐ SOVA ✓  
D/EURA. ✓

Shall I send them a copy of Casey's reply?

- B [Signature]

STAT  
SIAT

CONFIDENTIAL

82-1241/1

## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Commerce Department Study of Soviet/WEst European Pipeline Project

FROM:

Maurice C. Ernst  
NIO for Economics

EXTENSION

NO.

DATE

18 October 1982

STAT

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S  
INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1.

C/NIC

JR

2.

3.

DCI

19 Oct

25 OCT 1982

3. For signature

njl

4.

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NIO /ECON

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CONFIDENTIAL

DCI  
EXEC  
REG

Washington, D. C. 20505

82-12441/1

25 OCT 1982

MEMORANDUM FOR: Honorable Lionel H. Olmer  
The Under Secretary for International Trade  
United States Department of Commerce

SUBJECT: Commerce Department Study of Soviet/West European  
Pipeline Project

1. Thank you for sending me your analysis of the economics of the Soviet/West European pipeline. It is an excellent piece of work, treats the main issues systematically and contains considerable new information. I concur that more detailed information on specific contractual terms of equipment-supply and gas agreements must be obtained in order to complete and refine the analysis. Overall, the assumptions made are close to CIA's in most cases, but the range of uncertainty on some issues is still rather large. Specifically,

- o the estimate that European firms have charged 20 percent higher prices for goods and services for the pipeline is still a rough guess. CIA analysts believe that while the assumption may be accurate for West German goods, other countries may not have raised prices to the same extent,
- o the extent and level of interest rate subsidies is not well understood. The Commerce Department assumptions probably represent a high end estimate of the value of these subsidies, and
- o the terms of the Ruhrgas contract with respect to the price floor also remain obscure.

2. We will continue to press for collection of more detailed information on these contracts. I believe it is also important for CIA and Commerce experts to stay in close contact so they can profit from each other's analyses and better identify information gaps.

7-7 William J. Casey

William J. Casey

CONFIDENTIAL

15 October 1982

MEMORANDUM FOR: Maurice Ernst  
NIO/Econ

FROM : [REDACTED]  
Chief, Energy Issues Branch

25X1

SUBJECT : Commerce Department Study of Soviet/West  
European Pipeline Project [REDACTED]

25X1

The Commerce Department's assessment of the economics of the Soviet pipeline project for Western Europe is an excellent overview and points out areas where further research is required. CIA analysts question some assumptions of the study and concur that more detailed information on specific contractual terms of equipment-supply and gas agreements must be obtained in order to complete and refine the analysis. Overall, the assumptions made are close to our own in most cases, but the range of uncertainty on some issues is still rather large. Specifically,

- o the estimate that European firms have charged 20 percent higher prices for goods and services for the pipeline is still a rough guess. CIA analysts believe that while the assumption may be accurate for West German goods, other countries may not have raised prices to the same extent,
- o the extent and level of interest rate subsidies is not well understood. The Commerce Department assumptions probably represent a high end estimate of the value of these subsidies, and
- o terms of the Ruhrgas contract with respect to the price floor also remain obscure. [REDACTED]

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CIA will continue to press for collection of more detailed information on commercial agreements in order to support this analysis. [REDACTED]

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